Building an e-trading solution for deposits with FXGO.

BNP Paribas Asset Management (BNPP AM)

Bloomberg

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Location

Paris, Île-de-France, France

Industry

Asset Management

Customer profile

- BNPP AM is a leading provider of quality investment solutions for individual, corporate and institutional investors around the world.

- The firm focuses on five key strategies: High Conviction Strategies, Private Assets, Multi-Asset and Systematic & Quantitative Investments (SQI), Emerging Markets and Liquidity Solutions, with investment processes incorporating quantitative and fundamental analysis.

- BNPP AM aims to generate long-term sustainable returns for its clients, based on a sustainability-driven approach.

Business situation

BNPP AM trades billions of euros in term deposits across different funds every day. However, its manual deposit trading process was convoluted, time consuming and posed operational risks. BNPP AM wanted to leverage automation to streamline the workflow and increase trading capacity.

Bloomberg solutions

- Bloomberg FXGO

Results

Bloomberg integrated its FXGO platform with BNPP AM's third-party order management system, creating a solicited workflow for placing and booking deposit trades. This e-trading solution utilizes automation to improve efficiency, minimize human error and improve order traceability for BNPP AM's deposit trading.

Electronifying deposit trading

Deposit trading is very important in today's market, due to the sustained rise in interest rates and liquidity ratios imposed by regulators for money market funds. Since the beginning of 2022, BNPP AM has collected around €30 billion in new assets under management (AUM) for money market funds and is very active in deposit trading.

Every day BNPP AM transacts around €7 billion (equivalent in EUR, USD and GBP) in deposits across 10-25 orders for different funds. However, while an estimated 72% of FX instruments trade electronically today, deposit trading has remained a largely manual market.

In a manual workflow, dealers at BNPP AM request deposit rates, before sharing them with portfolio managers who, in turn, send orders back to the dealing desk. Dealers then set deposit prices over Instant Bloomberg (IB) chat, before manually inputting trades into a third-party order management system (OMS). This approach is time consuming and poses operational risks.

BNPP AM wanted an e-trading solution for deposits that would enable it to move away from trading through IB chat. It was looking to introduce automation to the workflow to improve efficiency, eliminate risks and, crucially, liberate capacity to trade increased flows from growing assets under management. Bloomberg was the perfect partner in this endeavor; growing deposit trading on FXGO has been a strong focus in recent years and has contributed greatly to Bloomberg's success.

Streamlining the deposit workflow

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"A workflow that incorporates straight-through processing (STP) — and gets away from the IB chat conversation — was very important for us."

"The audit trail is a lot cleaner with e-trading."

–Inés de Trémiolles
Global Head of Trading,
BNP Paribas Asset Management

In October 2022, Bloomberg and BNPP AM embarked on a project to automate certain parts of the deposit trading process, from placing to booking deposits, and streamline the workflow for this investment.

A key target of this collaboration was to improve the process's efficiency. In the existing manual approach, BNPP AM's dealers were effectively doing double the work. Before booking trades, they had to send requests to their main counterparts for the deposit rates across G3 currencies for different tenors and share these with portfolio managers who pass orders back to the dealing desk. It's only then that dealers could place trades in IB chats, before booking the agreed rates manually in their OMS.

Bloomberg was tasked with building a workflow to minimize these steps. "A workflow that incorporates straight-through processing (STP) — and gets away from the IB chat conversation — was very important for us," explains Inés de Trémiolles, Global Head of Trading, BNP Paribas Asset Management.

Such a lengthy, manual process also exposed BNPP AM to the risk of error. For example, there could be discrepancies between what had been traded in an IB chat and what was booked in the OMS due to human error. "The audit trail is a lot cleaner with e-trading," states de Trémiolles.

Integrating FXGO
with an OMS

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"They say it takes two to tango. Here, it took three. I cannot stress this enough: without the OMS we couldn't do anything. The ability of Bloomberg to compromise, engage in creative thinking and find solutions was the most important thing to get us over the line."

"The collaboration that we had with Bloomberg was great; there was a constant dialogue."

– Inés de Trémiolles

Global Head of Trading,
BNP Paribas Asset Management

To deliver an effective solicited workflow, it was critical for Bloomberg to integrate its FXGO platform with BNPP AM's third-party OMS. However, creating an integrated solution that suited all parties required negotiation with the OMS and, inevitably, compromise on all sides.

"They say it takes two to tango. Here, it took three," says de Trémiolles. "I cannot stress this enough: without the OMS we couldn't do anything. The ability of Bloomberg to compromise, engage in creative thinking and find solutions was the most important thing to get us over the line."

Once an agreement was established with the OMS, Bloomberg was able to build the automated trading solution, integrating FXGO into the OMS platform in a solicited workflow. But this was a team effort. Implementation teams from both Bloomberg and the OMS worked together to create the new interface for BNPP AM's teams to use within Bloomberg FXGO.

In fact, the project was broad and complex, stretching across IT, trading and teams focused on connectivity across Bloomberg, BNPP AM and its OMS. For example, it also required the certification of FIX messages so that the same language always appeared on the order outgoing from BNPP AM and the execution back from the counterparty.

To deliver all elements of the project successfully, strong communication between parties was critical throughout. And this was led by Bloomberg. "The collaboration that we had with Bloomberg was great; there was a constant dialogue," Inés reveals.

The first step towards automation

"E-trading is the first step to automation. Given that we're trying to automate as much as we can, it made sense."

–Inés de Trémiolles
Global Head of Trading,
BNP Paribas Asset Management

As a result of this collaboration with FXGO, BNPP AM is finally able to trade deposits today in a seamless, solicited electronic workflow, like other FX instruments.

BNPP AM has greatly benefited from the collaboration between FXGO and its OMS. It now has a streamlined process that has successfully reduced operational risk and improved efficiency.

In the future, the process is set to evolve further. BNPP AM can now auto-place and auto-book deposits, but trades are still not auto-executed. "E-trading is the first step to automation. Given that we're trying to automate as much as we can, it made sense," explains de Trémiolles. Automating this final part of the deposit trading workflow is the asset manager's next goal.

Key insights
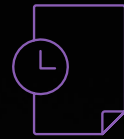
Deposit trading is unlike other FX and remains a largely manual market.

Bloomberg negotiated successfully with an industry-leading order management system to integrate with its FXGO platform.

By adopting an e-trading solution for deposits, BNPP AM has increased efficiency and minimized the risk of human error.

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